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SB 97 CEQA GHG GUIDELINE RULEMAKING
CALIFORNIA NATURAL RESOURCES AGENCY
PUBLIC HEARING – THURSDAY, 8/20/09 1PM – LOS ANGELES

PROPOSED TESTIMONY

INTRODUCTION

I am Victor Yamada representing Southern California Edison, from Corporate Environmental Policy. SCE thanks the California Natural Resources Agency for open and collaborative development of its proposed CEQA Guideline amendments relating to Greenhouse Gas Emissions.

Southern California Edison, along with San Diego Gas & Electric, Pacific Gas & Electric, and the Independent Energy Producer's Association provided consensus comments to the agency on July 27, 2009. The three utilities serve approximately seventy percent of the electricity customers in California. We therefore play an integral role in California's energy and low-carbon future.

Today I'll briefly highlight key points of our submitted comments.

OVERVIEW

We appreciate the importance of California's greenhouse gas (GHG) reduction goals as written in AB 32 and in the subsequent California Air Resources Board Scoping Plan. Of note, the Scoping Plan includes GHG reduction measures showing cumulative net reduction from the baseline year for the electricity sector. We also appreciate that California law SB 97 now requires lead agencies to address GHG emissions under the

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California Environmental Quality Act (CEQA).

We point out that the electricity sector is unique. Electricity sector's operation of entire grid as a whole and policy compliance directly govern cumulative GHG emissions. The electricity sector's operation must be consistent with other regulatory regimes, key for example is compliance with GHG reduction implementation measures as included in the AB 32 Scoping Plan.

We suggest some changes to the proposed Guideline amendments that would more explicitly take account of the need to analyze effects of electricity sector projects in the context of the dynamics of the electricity system. Our amendment recommendations would also account for the effect California's renewable energy policy choices will have on greenhouse gas reductions.

Next I'll provide insights into some of the unique considerations that should be made when lead agencies evaluate projects in electricity sector.

NEW ELECTRICITY SECTOR DEVELOPMENT POSES A UNIQUE CHALLENGE

The electric grid operates as a single machine that is coordinated by system operators in real time. The system is dispatched (i.e. ordered to operate by the system operator) to meet consumer demand as a whole. That dispatch is what governs the operation of individual power plants and which, in turn, governs the GHG emissions associated with the operation of the electric grid. When individual generating facilities do not operate or operate less, there is a reduction in GHG emissions.

Generally, power plants are 'dispatched' based on their efficiencies. More efficient units typically have lower costs, lower emissions, and thus run more often. Electric facilities that are dispatched last are the least efficient. Thus, the majority, if not all, new projects that are being proposed today with the best available technologies are placed in service with the understanding that they will displace less efficient, higher emitting power plants in the dispatch order.

Policy planning also pays an integral role in the amount of GHGs that are emitted during the operation of the electric system. The electricity system operates according to a well defined and mandated 'loading order'. The loading order was created by the California Energy Action Plan and guides procurement of electricity by the utilities. The objective of the loading order is to ensure that the state's electricity system is developed in a cost-effective manner while meeting the long-term interests of consumers, society as a whole, and the environment. The priorities established by the loading order are energy efficiency and other demand-side resources, followed by renewable energy, distributed generation, combined heat and power systems, and finally conventional generation. Implementation of the State's loading order will lead to substantial system-wide reduction in GHG emissions. Analyses undertaken and referred to in the CPUC and CEC's Final Recommendations to the ARB on GHG Regulatory Strategies demonstrate that there will be a substantial reduction in GHG emissions by 2020.

As the State pursues more aggressive renewable energy goals, renewable power plants are being proposed in far greater numbers than ever before. To support more renewable facilities, many or which are remotely located and / or have variable operational

characteristics (e.g. wind & solar), the state will require what are called 'dispatchable' units, which are relatively clean fossil generators such as flexible combined cycle and peaking units. Thus, the need for flexible, clean fossil generating units, generally fueled by natural gas, are directly linked to the state's implementation of an aggressive GHG goal through the expansion of clean renewable generation. These relatively clean natural gas generating units are crucial to ensuring grid reliability as the State brings more renewable plants online. Importantly, both the new, relatively clean natural gas fired units and renewable facilities will displace the emissions of existing power plants, resulting in a net overall reduction in GHG emissions associated with the operation of the electric system in California. These system aspects must be accounted for by the lead agencies when they evaluate these facilities.

THE NEED TO ANALYZE SYSTEM GHG EMISSIONS: LEAD AGENCIES MUST FULLY INFORM THE PUBLIC

Our primary concern with the proposed CEQA Guideline Amendments is the need to clearly provide for analysis of GHG emissions of new projects in electricity sector in the context of the entire electric system. Amendments should be clarified to guide lead agencies to consider a project's impact in combination with related, past, present, or future projects and activities. Our position is consistent with the fact that GHG emissions should be evaluated in the context of cumulative effects.

If the fundamental fact that the electricity system operates as a whole is not accurately represented, and lead agencies incorrectly assume that a new dispatchable plant's emissions result in incremental increases in GHG emissions rather than result in overall

system-wide reductions, then lead agencies would misinform the public on environmental impacts of new projects. This would ignore the effects of the State's well – established energy policy and regulatory environment.

THE SB 97 AMENDMENTS COULD BE COUNTERPRODUCTIVE BY FRUSTRATING THE STATE'S RENEWABLES PORTFOLIO STANARD

We are also concerned that lead agencies could incorrectly believe that they must require mitigation from projects that in fact have a significant benefit to the system from a GHG perspective. For example, as discussed above, dispatchable generating units designed to serve the peak load are need to 'firm' variable renewable resources such as wind and solar to maintain overall electric grid reliability. If these dispatchable plants are not analyzed in the context of firming renewable plants and their role in displacing relatively higher emitting peaking units is also not considered, their emissions may instead be viewed as incremental.

CONCLUSION

We have previously submitted specific, recommended changes to the proposed SB 97 CEQA Guideline Amendments. These changes are geared towards accommodating an analysis of GHG emissions on a systemic, non-incremental basis.

We appreciate Resources Agency and Office of Planning & Research's hard work on these important matters. Thank you.